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GAMBLING COMMISSION  
COMM & LEGAL DIVISION

In the Matter of the Suspension or Revocation of )  
the Licenses to Conduct Gambling Activities of: )

NO. CR 2012-01080

LOOM #1724 )

SETTLEMENT ORDER

Moses Lake, Washington, )

Licensee. )

JUL 10 2013

OAH - Tacoma

The Washington State Gambling Commission and the licensee, LOOM #1724, have entered into this Settlement Order to resolve the administrative charges pending against the licensee. Chad Standifer, Assistant Attorney General, and Melinda Froud, Staff Attorney, represent the Gambling Commission. Michael Moore, President, represents the licensee.

I.

The Washington State Gambling Commission issued LOOM #1724, organization number 00-00551, the following license:

- Number 01-00689, authorizing class "D" Bingo activity.

The license expires on December 31, 2013, and was issued subject to the licensee's compliance with state gambling laws and rules.

II.

In the above-entitled case, the Gambling Commission issued a Notice of Administrative Charges and Opportunity for an Adjudicative Hearing on April 1, 2013, seeking the suspension or revocation of LOOM #1724's license to conduct gambling activities. On April 10, 2013, Commission staff received the licensee's request for a hearing. The following summary of facts and violations were alleged in the Notice of Administrative Charges:

**SUMMARY:**

The licensee failed to meet their state tax obligations, failed to have adequate accounting records to verify funds were accounted for and used for their stated purpose, and they allowed the misuse of funds through their payroll process.

**VIOLATIONS:**

**1) RCW 9.46.075 Denial, suspension, or revocation of license**

The Commission may deny an application, or suspend or revoke any license or permit issued by it, for any reason or reasons, it deems to be in the public interest. These reasons shall include, but

not be limited to, cases wherein the applicant or licensee, or any person with any interest therein, (The following subsection applies.)

(1) Has violated, failed or refused to comply with the provisions, requirements, conditions, limitations or duties imposed by chapter 9.46 RCW and any amendments thereto, or any rules adopted by the Commission pursuant thereto, or when a violation of any provision of chapter 9.46 RCW, or any Commission rule, has occurred upon any premises occupied or operated by any such person or over which he or she has substantial control.

(8) Fails to prove, by clear and convincing evidence, that he, she or it is qualified in accordance with the provisions of this chapter.

**2) WAC 230-03-085 Denying, suspending, or revoking an application, license**

We may deny, suspend, or revoke any application, license or permit, when the applicant, licensee, or anyone holding a substantial interest in the applicant's or licensee's business or organization,

(The following subsections apply.)

(1) Commits any act that constitutes grounds for denying, suspending, or revoking licenses or permits under RCW 9.46.075.

(8) Poses a threat to the effective regulation of gambling, or creates or increases the likelihood of unfair or illegal practices, methods, and activities in the conduct of gambling activities, as demonstrated by: (a) Prior activities; or (b) Criminal record; or (c) Reputation; or (d) Habits; or (e) Associations.

**3) WAC 230-07-060 Independent management structure required.**

(1) Charitable or nonprofit organizations and their officers or board of directors have an affirmative responsibility to conduct gambling activities according to the legislative intent in chapter 9.46 RCW.

(2) Organizations must develop and maintain an independent management control system that ensures they:

- (a) Create an operating environment that makes it possible to implement the policies of the officers or board of directors; and
- (b) Supervise and operate gambling activities according to gambling laws and our rules; and
- (c) Protect all assets of the organization from misuse or embezzlement; and
- (d) Use gambling proceeds solely to advance the purposes of their organization.

**4) WAC 230-07-140 Minimum accounting records for Class D and above bingo licensees and licensees with combined activities over five hundred thousand dollars.**

Class D and above bingo licensees and licensees who are authorized for more than five hundred thousand dollars gross gambling receipts from combined gambling activities during any fiscal year must keep accounting records necessary to document all receipts, costs, and disbursements, including, at least, those related to gambling activities.

## **Requirements for accounting records**

For these accounting records, licensees must:

- (1) Conform to generally accepted accounting principles (GAAP) except as modified by other commission rules; and
- (2) Include, at least:
  - (a) A cash disbursements journal and/or check register;
  - (b) A cash receipts and/or sales journal;
  - (c) A list of all assets the licensee paid for;
  - (d) A listing of all liabilities;
  - (e) A complete general ledger system; and
  - (f) A list of all donated items valued at more than two hundred fifty dollars; and
  - (g) Bank statements, related deposit slips, and canceled checks or facsimiles of canceled checks; and

## **Donated items**

- (3) Document donated items. Licensees must:
  - (a) Use the fair market value at the time of donation;
  - (b) Add items to the list no later than thirty days after receiving them;
  - (c) Remove items when they no longer have legal ownership; and
  - (d) Not remove an item from the list, even if it has become obsolete or completely depreciated, until management has completed and documented appropriate review. A depreciation schedule for all capitalized items is sufficient; and
  - (e) Add items to the list when they convert items from gambling merchandise prize inventory to licensee use. This list must include, at least:
    - (i) A description of the item;
    - (ii) The date purchased, acquired by donation, or converted from the gambling prize pool;
    - (iii) The cost at the time of purchase or, if donated, the fair market value at the time received; and
    - (iv) The date and method of disposition of the item; and

## **Method of accounting**

- (4) Use the accrual method of accounting; and
- (5) The cash, modified cash, or tax basis accounting methods may be used only if that method accurately represents the licensee's financial position, the results of operations, and the licensee does not have substantial liabilities or expenses, such as depreciation or amortization expenses, which require a current outlay of cash; and

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### **Expenditures for nongambling activities**

(6) Sufficiently document all expenditures relating to nongambling activities in order to provide a satisfactory audit trail and to allow us to verify that the funds were used for the licensee's stated purpose(s); and

### **Expenditures for gambling activities**

(7) Sufficiently document all of the licensee's expenditures relating to gambling activities. Canceled checks or facsimiles of canceled checks, and bank statements are not sufficient documentation for expenditures without additional support. Licensees must provide additional support for expenditures, including:

(a) Invoices or other supporting documents from commercial vendors or service agencies with at least:

- (i) The name of the person or entity selling the goods or providing the services;
- (ii) A complete description of goods or services purchased;
- (iii) The amount of each product sold or services provided;
- (iv) The price of each unit;
- (v) The total dollar amount billed; and
- (vi) The date of the transaction.

(b) Documentation, in the form of checks and other written records of disbursements in excess of twenty-five dollars made directly to individuals who do not furnish normal, business type, invoices or statements. The written records must indicate at least:

- (i) The name of the person receiving the payment;
- (ii) The amount;
- (iii) The date; and
- (iv) The purpose; and

(8) Document allocated expenditures that relate to more than one function to the various functions. Licensees must document their methods of allocation and make them available for our review; and

### **Capitalizing assets**

(9) Include a capitalization policy based on materiality and expected life of operating assets. To determine a minimum level for capitalizing assets, licensees must:

- (a) Capitalize and depreciate, or amortize over the useful life of the asset, any assets of more than two thousand dollars that have a useful life of more than one year; and
- (b) Capitalize and depreciate, or amortize over sixty months, beginning with the first month that bingo games are conducted, pre-operating start up costs related to bingo games of more than six thousand dollars; and
- (c) Amortize, over a period not longer than the life of the lease, any leasehold improvements related to gambling activities that are more than six thousand dollars. Licensees may extend the

amortization period to include any lease option periods if the licensee's management states a reasonable expectation that they will use the lease option; and  
(d) Charge all unamortized leasehold improvements as an expense of the gambling activities in the year that the lease expires.

#### **5) RCW 9.46.153(1) Applicants and licensees-Responsibilities and duties**

It shall be the affirmative responsibility of each applicant and licensee to establish by clear and convincing evidence the necessary qualifications for licensure of each person required to be qualified under this chapter, as well as the qualifications of the facility in which the licensed activity will be conducted.

The licensee failed to maintain an independent management control system to ensure funds were used for their stated purpose, in violation of WAC 230-07-060. The licensee failed to maintain records necessary to document all receipts, costs, and disbursements of funds, in violation of WAC 230-07-140 and was unable to provide records and information necessary to verify the proper use of funds. In addition, the licensee repeatedly failed to pay state taxes which have resulted in tax liens and warrants filed against it. LOOM #01724 has failed to prove by clear and convincing evidence the necessary qualifications for licensure, in violation of RCW 9.46.153. Grounds, therefore, exist to suspend or revoke LOOM #01724's license, pursuant to RCW 9.46.075(1) and (8) and WAC 230-03-085(1) and (8).

#### **III.**

The facts and violations set forth in paragraph II above constitute grounds for the suspension or revocation of the license issued to LOOM #1724 pursuant to RCW 9.46.075 and WAC 230-03-085.

#### **IV.**

The licensee acknowledges that it received the Notice of Administrative Charges issued in this case, and understands the facts and violations contained in it. The licensee is now current with payments for its state tax obligations.

On April 10, 2013, Commission staff received LOOM #1724's request for a hearing in this matter; however, the licensee has waived its right to a hearing, based on the terms and conditions of this Settlement Order.

The licensee agrees to the following terms and sanctions:

- 1) LOOM #1724's license is suspended for **ten (10) days**, provided that:
  - a) **Four (4) days** of the suspension shall not be currently served, but shall be deferred for a period of one year from the date of entry of this Settlement Order, subject to the following: The licensee agrees not to violate any of Washington's gambling statutes or regulations during the one (1) year term. If the licensee violates these statutes or

regulations and if the violation is the type that warrants the filing of administrative or criminal charges, then the Director may impose the **four-day suspension** of the current gambling license(s) and any subsequently acquired gambling licenses.

- b) The parties agree that the Director of the Washington State Gambling Commission has discretion to determine whether the licensee has violated any term of this Settlement Order. In the event the Director determines that a violation of this section has occurred, he may suspend the license(s) issued to the licensee, and any subsequently acquired licenses, for up to **four (4) days**, by mailing or delivering a Notice of Order of Administrative Charges to the licensee. This suspension shall be in addition to any consequences of the new violation. The licensee shall have the opportunity for an Adjudicative Proceeding, which includes a hearing on the alleged violations.

2) The licensee has chosen to serve the remaining **six (6) days** of the suspension, to be served during **six** consecutive bingo sessions scheduled for:

1<sup>st</sup> session & 2<sup>nd</sup> session - Sunday, July 7, 2013;  
3<sup>rd</sup> session - Thursday, July 11<sup>th</sup>, 2013; and  
4<sup>th</sup> session & 5<sup>th</sup> session - Sunday, July 14<sup>th</sup>, 2013;  
6<sup>th</sup> session - Thursday, July 18<sup>th</sup>, 2013.

During the suspension dates, no gambling activities shall take place at the licensed premises, and no other bingo sessions shall be held between July 7, 2013 and July 18, 2013.

3) The licensee further agrees to develop and maintain an independent management control system and to comply with the following requirements which will help it comply with state laws and Commission rules:

- a) Maintain daily income receipting records adequate to verify all income generated at the organization. All income shall be booked to their income receipts journal;
- b) Pay expenses/payments paid by check and verify they are booked to their expense journal;
- c) Provide support for all expenses by invoices or receipts;
- d) Pay to individuals by check;
- e) Maintain detailed records for all cash banks maintained on the premises, supported by income and expense receipts;
- f) Maintain detailed deposit records for all deposits including validated deposit slips and bank statements;
- g) Provide a monthly summary of tax balances and tax payments made each month;



- h) Prepare Board meeting minutes that indicate the board has reviewed and approved their monthly income and expenses.
- 4) The licensee must distribute a copy of this Settlement Order to every present and future board member and gambling manager for the next five (5) years.
- 5) The licensee shall reimburse the Commission for the costs incurred in conducting a follow up inspection of the licensee's bingo operations and accounting procedures within thirty (30) days after receiving notice of the costs of such inspection. The inspection shall be made no earlier than six months after the entry of this order; this will allow the licensee additional time to ensure that it has implemented any necessary internal controls, policies and procedures.
- 6) **The signed Settlement Order must be received by Commission staff on or before July 3, 2013**, and mailed to Commission Headquarters at the following address:

Washington State Gambling Commission  
Attention: Communications and Legal Division  
P.O. Box 42400  
Olympia, WA 98504-2400

**Or delivered** (in person or via private courier) to the following address:

Washington State Gambling Commission  
Attention: Communications and Legal Division  
4565 7<sup>th</sup> Avenue SE; Fourth Floor  
Lacey, WA 98503

DATED this 12<sup>th</sup> day of July, 2013.

Administrative Law Judge

APPROVED FOR ENTRY:

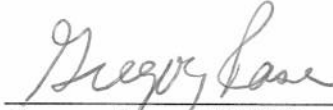
APPROVED AS TO FORM:

By signing this Settlement Order, the licensee acknowledges and understands the terms and conditions contained in it.



Michael Moore, President  
LOOM #1724

Date 6-27-13



Gregory Rosen, #15870  
Assistant Attorney General,  
Representing the Washington  
State Gambling Commission



Melinda A. Froud, WSBA #26792,  
Lead Staff Attorney  
Washington State Gambling Commission